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Extension of Single Touch Payroll for Small Employees

Key Takeaways

- From **1 July 2019** all employers will be required to report under Single Touch Payroll
- Micro-employers eligible for a 2 year transitional period through which they are able to report the payroll amounts quarterly if lodged via a tax agent
- Businesses using older desktop accounting software packages will need to update to a cloud-based version that is Single Touch Payroll compliant.
- Low-cost, standalone payroll solutions are available for under \$10 per month for small employers that don't currently use accounting software or do not wish to upgrade existing non-compliant software
- Once STP compliant, annual payment summaries are no longer required to be lodged by employers
- Employees are able to view their year-to-date earnings in their myGov accounts

Getting your business ready for Single Touch Payroll

Ahead of 1 July 2019, employers should:

- Ensure that the relevant people at your business know and understand Single Touch Payroll – especially payroll staff.
- Check that employee information is correct, including names, addresses and date-of-birth.
- Check that your current payroll solution is STP compliant or look to transition to one that is
- Ensure that your payroll categories are linked to the correct ATO reporting category in your payroll software
- Notify the ATO of their chosen STP software provider and nominate an authorised payroll contact

Single Touch Payroll in Detail: What it means for your business

Single Touch Payroll is a reporting initiative to streamline business payroll reporting obligations. Employers will be required to send payroll information directly to the ATO from their payroll software each time they pay their employees.

On 12 February 2019, legislation was passed to extend Single Touch Payroll (STP) to include small employers. From **1 July 2019**, businesses with **19 or less employees** will be required to comply with STP ◀

reporting obligations on every pay run. Before reporting commences, businesses will need to **notify the ATO** which STP provider they are reporting through and nominate an Authorised Contact. ■

Those using older accounting software services and manual payroll calculations will need to transition to a digital payroll reporting service. Although this may seem daunting, many software providers are offering **low-cost, standalone payroll solutions** for under \$10 per month. The ATO is currently working with software providers to develop a no-cost payroll portal, however, a release date has not been confirmed.

To aid the transition, small employers will not be penalized for mistakes, missed or late reports for the first year. Any payroll mistakes can be corrected either in the next pay-run or lodged via an 'update event'. Please note that penalties will apply to those who do not comply with the mandatory reporting obligations. Deferrals from STP are available in certain circumstances.

Once Single Touch Payroll has been implemented, employers will no longer be required to issue annual payment summaries to employees once the payroll amounts have been 'finalised' at year end. These reporting changes will mean that your employees will be able to access their year-to-date tax and super information through the myGov portal in real time. Once 'finalised' your employees will be notified that their myGov income statement is now 'tax ready'.

The ATO hopes that the introduction of STP will mean that businesses will spend less time chasing down employee commencement forms as Superannuation Standard Choice, and TFN and Withholding Declarations are now offered as online forms by STP software providers.

The team at Merit Partners are happy to advise you on the most appropriate payroll solution for your individual business needs. Contact us today to ensure that your business is ready for Single Touch Payroll before 1 July 2019.

**For all up to date information on *Merit Alert* topics
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